

**VILLAGE OF
CASSOPOLIS, MICHIGAN**

14-3010

Annual Financial Statements

And

Auditors' Report

February 29, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Cassopolis	County Cass
Audit Date 02/29/2004	Opinion Date 08/13/2004	Date Accountant Report Submitted to State: 11/15/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC			
Street Address 710 E. Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature <i>Carol Light CPA</i>			

Village of Cassopolis, Michigan
Annual Financial Report
February 29, 2004

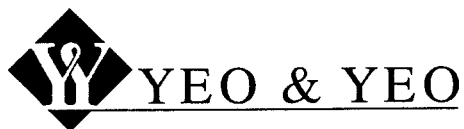
Julia A. Bell..... President
William Curry Jr. President Pro-Tem
LouAnn Bates Trustee
Vincent Hawkins Trustee
Maxine Snipes Trustee
Michelle Andrews..... Trustee
Arthur Sciorra..... Village Manager
Paula Beauchamp Village Clerk
Cynthia Ash Village Treasurer

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710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

Independent Auditors' Report

To the Honorable President and
Members of the Village Council
Village of Cassopolis, Michigan

We have audited the accompanying general-purpose financial statements of the Village of Cassopolis, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Village of Cassopolis, Michigan as of February 29, 2004, and the results of its operations and the changes in cash flows of its proprietary fund types for the year then ended in conformity with the accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2004, on our consideration of Village of Cassopolis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Cassopolis, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 13, 2004

General Purpose Financial Statements

Village of Cassopolis, Michigan
Combined Balance Sheet - All Fund Types and Account Groups
February 29, 2004

Assets	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash on hand and deposit	\$ 50	\$ 35,215
Cash equivalents	103,374	67,600
Cash - community funds	-	37,307
Taxes receivables	174,971	-
Accounts receivable (net allowance of \$0)	1,761	-
Due from other governmental units	57,422	25,657
Due from other funds	240,092	59,874
Other receivables	124	20,105
Inventory	-	-
Restricted assets - cash and cash equivalents	-	-
Property, plant and equipment - net, where applicable, of accumulated depreciation	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets	<u>\$ 577,793</u>	<u>\$ 245,758</u>
 Liabilities and Fund Equity		
Liabilities		
Bank overdraft	\$ 43,852	\$ -
Accounts payable	160,692	919
Due to other funds	163,785	61,043
Security deposits	-	-
Bonds and notes payable	-	-
Deferred revenue	-	-
Total liabilities	<u>368,329</u>	<u>61,962</u>
Fund equity		
Contributed capital	-	-
Investment in general fixed assets	-	-
Retained earnings	-	-
Reserved for revenue bond retirement	-	-
Reserved for replacements	-	-
Reserved for improvements	-	-
Reserved for junior lien sinking fund	-	-
Unreserved	-	-
Fund balance		
Unreserved, undesignated	209,464	183,796
Total fund equity	<u>209,464</u>	<u>183,796</u>
Total liabilities and fund equity	<u>\$ 577,793</u>	<u>\$ 245,758</u>

See Accompanying Notes To Financial Statements

<u>Proprietary Fund Types</u>		<u>Account Groups</u>		<u>Totals</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>	<u>General Long Term Debt</u>	<u>(Memorandum Only)</u>
\$ 198,157	\$ -	\$ -	\$ -	\$ 233,422
356,489	45,551	-	-	573,014
-	-	-	-	37,307
-	-	-	-	174,971
84,637	-	-	-	86,398
-	-	-	-	83,079
100,073	80,340	-	-	480,379
1,506	313	-	-	22,048
10,546	2,800	-	-	13,347
169,741	-	-	-	169,741
4,521,269	95,206	1,929,873	-	6,546,348
-	-	-	207,546	207,546
\$ <u>5,442,418</u>	\$ <u>224,210</u>	\$ <u>1,929,873</u>	\$ <u>207,546</u>	\$ <u>8,627,598</u>
\$ -	\$ -	\$ -	\$ -	\$ 43,852
76,204	43,588	-	-	281,402
247,199	8,353	-	-	480,379
14,018	-	-	-	14,018
1,733,000	-	-	207,546	1,940,546
13,600	-	-	-	13,600
<u>2,084,021</u>	<u>51,941</u>	<u>-</u>	<u>207,546</u>	<u>2,773,798</u>
1,299,610	34,230	-	-	1,333,840
-	-	1,929,873	-	1,929,873
127,500	-	-	-	127,500
27,500	-	-	-	27,500
200	-	-	-	200
14,540	-	-	-	14,540
1,889,047	138,039	-	-	2,027,086
-	-	-	-	393,259
<u>3,358,397</u>	<u>172,269</u>	<u>1,929,873</u>	<u>-</u>	<u>5,853,797</u>
\$ <u>5,442,418</u>	\$ <u>224,210</u>	\$ <u>1,929,873</u>	\$ <u>207,546</u>	\$ <u>8,627,598</u>

Village of Cassopolis, Michigan
Combined Statement of Revenues, Expenditures and Changes
In Fund Balance - All Governmental Fund Types
Year Ended February 29, 2004

	General	Special Revenue	Totals (Memorandum Only)
Revenues			
Taxes	\$ 447,438	\$ -	\$ 447,438
Licenses and permits	13,024	-	13,024
State revenues	450,989	134,828	585,817
Charges for services	8,904	6,918	15,822
Fines and forfeits	12,787	-	12,787
Other	115,805	2,575	118,380
Total revenues	<u>1,048,946</u>	<u>144,321</u>	<u>1,193,267</u>
Expenditures			
General government	780,087	48,090	828,177
Public safety	506,536	-	506,536
Public works	-	151,524	151,524
Recreation and cultural	18,211	-	18,211
Community and economic development	8,080	-	8,080
Debt service	5,074	-	5,074
Total expenditures	<u>1,317,987</u>	<u>199,614</u>	<u>1,517,601</u>
Excess (deficiency) of revenues over expenditures	<u>(269,041)</u>	<u>(55,293)</u>	<u>(324,335)</u>
Other financing sources (uses)			
Operating transfers in	-	17,000	17,000
Operating transfers out	(17,000)	-	(17,000)
Total other financing sources (uses)	<u>(17,000)</u>	<u>17,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(286,041)</u>	<u>(38,293)</u>	<u>(324,335)</u>
Fund balance - beginning of year	<u>502,257</u>	<u>222,089</u>	<u>724,346</u>
Prior period adjustment	<u>(6,750)</u>	<u>-</u>	<u>6,750</u>
Fund balance - as restated	<u>495,507</u>	<u>222,089</u>	<u>731,096</u>
Fund balance - end of year	<u>\$ 209,464</u>	<u>\$ 183,796</u>	<u>\$ 406,761</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Combined Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - General and Special Revenue Funds
Year Ended February 29, 2004

	<u>General Fund</u>		Variance -
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Taxes	\$ 522,245	\$ 447,438	\$ (74,807)
Licenses and permits	10,550	13,024	2,474
State revenues	321,979	450,989	129,010
Charges for services	900	8,904	8,004
Fines and forfeits	5,100	12,787	7,687
Other	69,008	115,805	46,797
Total revenues	<u>929,782</u>	<u>1,048,946</u>	<u>119,164</u>
Expenditures			
Village council	106,070	77,511	28,559
Elections	1,000	1,714	(714)
Clerk	50,300	47,535	2,765
Village manager	103,769	93,694	10,075
Treasurer	7,092	6,817	275
Building and grounds	47,275	495,714	(448,439)
Other general government	59,682	57,102	2,580
Police department	332,339	340,786	(8,447)
School crossing guard	14,254	14,056	198
Fire department	88,413	114,088	(25,675)
Building inspection	14,020	14,184	(164)
Street lighting	27,000	23,422	3,578
Highways and streets	-	-	-
Parks	24,813	18,211	6,602
Planning commission	3,685	1,205	2,480
Economic development	21,070	6,875	14,195
Debt service	-	5,074	(5,074)
Total expenditures	<u>900,782</u>	<u>1,317,987</u>	<u>(417,206)</u>
Excess (deficiency) of revenues over expenditures	<u>29,000</u>	<u>(269,041)</u>	<u>(298,042)</u>
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(29,000)	(17,000)	12,000
Total other financing sources (uses)	<u>(29,000)</u>	<u>(17,000)</u>	<u>12,000</u>
Excess (deficiency) of revenues over expenditures and other uses	-	(286,041)	(286,042)
Fund balance - beginning of year	502,257	502,257	-
Prior period adjustment	(6,750)	(6,750)	-
Fund balance - as restated	<u>495,507</u>	<u>495,507</u>	-
Fund balance - end of year	<u>\$ 502,257</u>	<u>\$ 209,464</u>	<u>\$ (292,792)</u>

See Accompanying Notes To Financial Statements

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	-	-
183,250	134,828	(48,422)
12,200	6,918	(5,283)
-	-	-
3,550	2,575	(975)
<u>199,000</u>	<u>144,321</u>	<u>(54,679)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
32,750	48,090	(15,340)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
209,953	151,524	58,429
-	-	-
-	-	-
-	-	-
-	-	-
<u>242,703</u>	<u>199,614</u>	<u>43,089</u>
<u>(43,703)</u>	<u>(55,293)</u>	<u>(11,590)</u>
17,000	17,000	-
-	-	-
<u>17,000</u>	<u>17,000</u>	<u>-</u>
(26,703)	(38,293)	(11,590)
<u>222,089</u>	<u>222,089</u>	<u>-</u>
-	-	-
<u>222,089</u>	<u>222,089</u>	<u>-</u>
<u>\$ 195,386</u>	<u>\$ 183,796</u>	<u>\$ (11,590)</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Combined Statement of Revenues, Expenses and Changes in
Retained Earnings - All Proprietary Fund Types
Year Ended February 29, 2004

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 932,687	\$ 80,217	\$ 1,012,904
Authority revenues	23,095	-	23,095
Trash revenue and other	279,475	-	279,475
Total operating revenues	<u>1,235,256</u>	<u>80,217</u>	<u>1,315,473</u>
Operating expenses			
Payroll taxes and employee benefits	73,601	820	74,420
Supplies	57,416	7,592	65,008
Uniforms	1,318	-	1,318
Audit	38,827	7,667	46,494
Gasoline and oil	-	12,221	12,221
Telephone	14,031	-	14,031
Insurance	8,983	6,177	15,159
Electricity and heat	51,676	2,525	54,201
Maintenance	100,803	2,318	103,120
Equipment rental	23,672	24,311	47,983
Depreciation	177,384	31,619	209,003
Legal expense	326	-	326
Miscellaneous	160,741	(66)	160,674
Sewer treatment services	177,128	-	177,128
Wages	157,881	4,827	162,708
Trash expense	57,451	-	57,451
Capital outlay	400	-	400
Miss dig	1,883	-	1,883
Total operating expenses	<u>1,103,521</u>	<u>100,009</u>	<u>1,203,530</u>
Operating income (loss)	<u>131,736</u>	<u>(19,792)</u>	<u>111,943</u>
Non-operating revenues (expenses)			
Sale of supplies	5,928	-	5,928
Interest	18,365	1,389	19,754
Rents	19,000	-	19,000
Interest expense and fiscal charges	(110,828)	-	(110,828)
Total non-operating revenues (expenses)	<u>(67,535)</u>	<u>1,389</u>	<u>(66,146)</u>
Net income (loss)	64,201	(18,403)	45,797
Prior period adjustment	16,679	-	16,679
Increase (decrease) in retained earnings	<u>80,880</u>	<u>(18,403)</u>	<u>62,476</u>
Retained earnings - beginning of year	<u>3,277,518</u>	<u>156,442</u>	<u>3,433,960</u>
Retained earnings - end of year	<u>\$ 3,358,398</u>	<u>\$ 138,039</u>	<u>\$ 3,496,436</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Combined Statement of Revenues, Expenses and Changes In
Retained Earnings - Budget and Actual
All Proprietary Fund Types
Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating revenues			
Charges for services	\$ 1,088,941	\$ 1,012,904	\$ (76,037)
Contract service	-	23,095	23,095
Trash revenue and other	79,375	279,475	200,100
Total operating revenues	<u>1,168,316</u>	<u>1,315,473</u>	<u>147,157</u>
Operating expenses			
Wages	160,689	162,708	(2,019)
Payroll taxes and employee insurance	102,537	74,420	28,117
Supplies	47,000	65,008	(18,008)
Audit	8,950	46,494	(37,544)
Gasoline and oil	14,000	12,221	1,779
Telephone	14,400	14,031	369
Insurance	16,385	15,159	1,226
Electricity and heat	64,200	54,201	9,999
Maintenance	86,500	103,120	(16,620)
Equipment rental	12,550	47,983	(35,433)
Depreciation	208,700	209,003	(303)
Legal expense	-	326	(326)
Health and safety concerns	400	-	400
Miscellaneous	13,032	160,674	(147,642)
Sewer treatment services	193,000	177,128	15,872
Taxes	1,700	-	1,700
Trash expense	65,000	57,451	7,549
Rental	2,200	-	2,200
Miss dig	2,000	1,883	117
Uniforms	2,430	1,318	1,112
Capital outlay	27,250	400	26,850
Total operating expenses	<u>1,052,923</u>	<u>1,203,530</u>	<u>(150,607)</u>
Operating income (loss)	<u>115,393</u>	<u>111,943</u>	<u>(3,450)</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Combined Statement of Revenues, Expenses and Changes In
Retained Earnings - Budget and Actual
All Proprietary Fund Types
Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Non-operating revenues (expenses)			
Sale of supplies	\$ 4,500	\$ 5,928	\$ 1,428
Interest	38,950	19,754	(19,196)
Rents	26,125	19,000	(7,125)
Interest expense and fiscal charges	(100,000)	(110,828)	(10,828)
Total non-operating expenses	<u>(30,425)</u>	<u>(66,146)</u>	<u>(35,721)</u>
Net income (loss)	84,968	45,797	(39,171)
Prior period adjustment	<u>-</u>	<u>16,679</u>	<u>16,679</u>
Increase (decrease) in retained earnings	84,968	62,476	(22,492)
Retained earnings - beginning of year	<u>3,433,960</u>	<u>3,433,960</u>	<u>-</u>
Retained earnings - end of year	<u>\$ 3,518,928</u>	<u>\$ 3,496,436</u>	<u>\$ (22,492)</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended February 29, 2004

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities			
Operating income (loss)	\$ 131,736	\$ (19,792)	\$ 111,944
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	177,384	31,619	209,003
Increase (decrease) in:			
Rental security deposit	157	-	157
Accounts payable	36,006	38,273	74,279
Accrued expenses	90	-	90
Due to other funds	23,993	619	24,611
Deferred revenue	(1,700)	-	(1,700)
(Increase) decrease in:			
Accounts receivable	(18,763)	-	(18,763)
Due from other funds	(73,993)	(80,217)	(154,210)
Interest receivable	2,445	116	2,561
Inventory of supplies, at cost	367	-	367
Other non-operating activities	24,928	-	24,928
Net cash provided by operating activities	<u>302,648</u>	<u>(29,382)</u>	<u>273,267</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(71,908)	(47,894)	(119,802)
Principal paid on revenue bonds	(126,000)	-	(126,000)
Interest paid on revenue bonds	(110,828)	-	(110,828)
Net cash used for capital and related financing activities	<u>(308,735)</u>	<u>(47,894)</u>	<u>(356,629)</u>
Cash flows from investing activities			
Interest on investments	<u>18,365</u>	<u>1,389</u>	<u>19,754</u>
Net increase (decrease) in cash and restricted cash	12,278	(75,887)	(63,608)
Prior period adjustment	16,679	-	16,679
Cash and cash equivalents, beginning of year	<u>695,434</u>	<u>121,438</u>	<u>816,872</u>
Cash and cash equivalents, end of year	<u>\$ 724,391</u>	<u>\$ 45,551</u>	<u>\$ 769,942</u>

See Accompanying Notes To Financial Statements

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 1 - DESCRIPTION OF VILLAGE OPERATIONS

In accordance with accounting principles generally accepted in the United States of America, and Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*, these financial statements present the Village of Cassopolis. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Economic Development Authority is included as a blended component unit and is reported within the General Fund. The component unit is included in the reporting entity because of the significance of its operational and financial relationship with the Village.

The Village operates under an elected President and Council (nine members). The Village provides police, fire, water, and sewer services to its residents. The costs are reflected in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Cassopolis conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

A. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to or accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Village are grouped into two broad fund categories and four fund types as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Village maintains the following Special Revenue Funds:

Major Street Fund
Local Street Fund
Cemetery Fund
Community Development Block Grant Fund

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations:

- (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or
- (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Village maintains the following Enterprise Funds:

Sewer Fund
Water Fund
C.A.U.A. Fund

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

The Village maintains an Internal Service Fund, the Equipment Fund, to account for the costs of acquiring, operating and maintaining equipment which is used in the operations of one or more Village Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group is used to account for fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Group - This account group is used to account for all long-term debt of the Village except that accounted for in the proprietary funds.

B. BASIS OF ACCOUNTING

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recorded when they become measurable and available to be used to pay current liabilities. "Measurable" means the amount of the transaction can be determined and "available" means collectible within 60 days after year end. Expenditures are recorded when actual liabilities are incurred except significant supply inventories or prepayments are considered when used.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CASH AND INVESTMENTS

State statutes authorize the Village to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the three highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances, mutual funds and investment pools composed entirely of the aforementioned investments that are legal for direct investment by a Village.

For the purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less to be cash.

D. RECEIVABLES

Receivables have been recognized for all significant amounts due the Village in accordance with the accounting principles used for the particular fund.

- (a) Taxes - Delinquent real taxes receivable are recognized as income in the current period, as the County of Cass maintains a revolving tax fund to finance delinquent real property taxes for local units.
- (b) Accounts - Water and sewer charges are recognized when earned with no allowance for uncollectibles as delinquent accounts are certified as a tax lien against the property billed.

Significant amounts of certified tax liens are reflected as other assets, as the timing of these receipts is beyond the current period.

- (c) Other - Interest earned on certificates of deposit, but not received at February 29, 2004, is recognized as revenue/income in the current period.

E. INVENTORIES

Inventories are recognized as an asset in the proprietary fund types. They consist primarily of supplies, valued at the lower of cost or market, using the first in/first out (FIFO) method. Inventories are recorded as expenditures at the time of purchase in the governmental fund types.

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. FIXED ASSETS

Fixed assets acquired by the Enterprise and Internal Service Funds are capitalized at cost in these funds. Depreciation is computed over the estimated useful life of the asset using the straight-line method.

Fixed assets acquired by governmental funds ("general fixed assets") are recorded as expenditures at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group. Except, excluded are certain improvements including roads, bridges, curbs and gutters, drainage systems and street lighting systems. No depreciation has been provided on general fixed assets.

Donated fixed assets are recorded at their estimated fair market value on the date received.

G. TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the combined General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in those columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments. This new reporting standard will impact the Village's revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Village is required to implement the new reporting model for the fiscal year ending February 28, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. COMPENSATED ABSENCES

The Village of Cassopolis provides full-time employees with vacation benefits as follows: after one year of continuous employment – five days vacation; two years – ten days; five years – fifteen days; ten years – twenty days. If not used, the employee may carryover five days. With Village Manager approval, additional amounts of vacation may be carried to future years. Upon termination, accrued vacation benefits are paid at the employee's current salary. Accrued vacation at February 29, 2004 amounted to \$11,129 and is recorded as a General Fund liability.

The Village provides full-time employees with one sick day for each month worked. For employees hired after October 11, 1994, they may accumulate unlimited sick days, but receive no pay for any sick time when they leave employment. For employees hired prior to October 11, 1994, they accumulate unlimited sick days and get reimbursed for sick time in excess of 24 days. At February 29, 2004, employee accumulated sick days equaled 1,191 hours representing approximately \$18,246 total liability which represents a contingent liability (at current pay rates), and is reported in the General Long Term Debt Account Group.

K. FUND EQUITY

Reservations of fund equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund equity represent tentative amounts that management plans for specified purposes, that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

NOTE 3 - CASH AND INVESTMENTS

DEPOSITS - The Village of Cassopolis is authorized by the State of Michigan Public Act, to deposit its funds in banks, savings and loan associations, or credit unions having their principal offices in the State of Michigan.

The carrying amount at year end of the Village's deposits with financial institutions was \$969,632. Of this amount, \$213,563 is classified as cash, \$169,741 as restricted cash, \$37,307 as community development funds, and \$549,020 as cash equivalents, which are certificates of deposit.

The actual bank balances amounted to \$1,155,615. Of this amount, \$200,796 was insured by the FDIC and \$960,229 was uninsured and uncollateralized.

NOTE 4 - RESTRICTED ASSETS

The revenue bond indentures and ordinances restrict the use of certain assets of the Water Fund. At year end there was \$169,741 of restricted cash in these accounts.

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 5 - INTERFUND OPERATING TRANSFERS

Individual fund operating transfers at February 29, 2004, were as follows:

General Fund – Transfer out	\$ 17,000
Cemetery Fund – Transfer in	\$ 17,000

NOTE 6 - LONG-TERM DEBT

The summary of long-term debt transactions of the Village for the year ended February 29, 2004, is as follows:

	Enterprise Fund	General Long- Term Debt Account Group
Balance - March 1, 2003	\$ 1,859,000	\$ 212,342
Issuance	-	18,246
Retirements	(126,000)	(23,042)
Balance - February 29, 2004	\$ <u>1,733,000</u>	\$ <u>207,546</u>

Long-term debt at February 29, 2004, consists of the following:

Revenue Bonds. The government issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding are as follows:

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
Series 1989A Revenue Bonds						
5-08-89	\$ 995,000	7.600	3/1/05	\$ 65,000	\$ 2,470	\$ 67,470
		7.600	3/1/06	70,000	2,660	72,660
		7.650	3/1/07	75,000	2,869	77,869
		7.650	3/1/08	80,000	3,060	83,060
		7.700	3/1/09	85,000	3,272	88,272
		7.700	3/1/10	95,000	3,658	98,658
		7.700	3/1/11	<u>25,000</u>	<u>962</u>	<u>25,962</u>
				<u>495,000</u>	<u>18,951</u>	<u>513,951</u>

Series 1989B Revenue Bonds

5-08-89	\$ 745,000	7.600	3/1/05	\$ 60,000	\$ 2,280	\$ 62,280
		7.600	3/1/06	65,000	2,470	67,470
		7.650	3/1/07	70,000	2,678	72,678
		7.650	3/1/08	<u>70,000</u>	<u>2,677</u>	<u>72,677</u>
				<u>265,000</u>	<u>10,105</u>	<u>275,105</u>

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 6 - LONG-TERM DEBT (continued)

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
Series 1998 Revenue Bonds						
3-01-98	\$ 1,025,000	4.500	3/1/04	\$ 12,000	\$ 43,515	\$ 55,515
		4.500	3/1/05	12,000	42,975	54,975
		4.500	3/1/06	13,000	42,413	55,413
		4.500	3/1/07	14,000	41,805	55,805
		4.500	3/1/08	14,000	41,175	55,175
		4.500	3/1/09	15,000	40,522	55,522
		4.500	3/1/10	15,000	39,848	54,848
		4.500	3/1/11	16,000	39,150	55,150
		4.500	3/1/12	17,000	38,407	55,407
		4.500	3/1/13	18,000	37,620	55,620
		4.500	3/1/14	18,000	36,810	54,810
		4.500	3/1/15	20,000	35,955	55,955
		4.500	3/1/16	20,000	35,055	55,055
		4.500	3/1/17	21,000	34,132	55,132
		4.500	3/1/18	22,000	33,165	55,165
		4.500	3/1/19	23,000	32,153	55,153
		4.500	3/1/20	24,000	31,095	55,095
		4.500	3/1/21	25,000	29,992	54,992
		4.500	3/1/22	26,000	28,845	54,845
		4.500	3/1/23	28,000	27,630	55,630
		4.500	3/1/24	28,000	26,370	54,370
		4.500	3/1/25	30,000	25,065	55,065
		4.500	3/1/26	31,000	23,692	54,692
		4.500	3/1/27	33,000	22,253	55,253
		4.500	3/1/28	34,000	20,745	54,745
		4.500	3/1/29	36,000	19,170	55,170
		4.500	3/1/30	37,000	17,527	54,527
		4.500	3/1/31	39,000	15,818	54,818
		4.500	3/1/32	41,000	14,017	55,017
		4.500	3/1/33	42,000	12,150	54,150
		4.500	3/1/34	45,000	10,193	55,193
		4.500	3/1/35	46,000	8,145	54,145
		4.500	3/1/36	49,000	6,007	55,007
		4.500	3/1/37	51,000	3,758	54,758
		4.500	3/1/38	58,000	1,305	59,305
				<u>973,000</u>	<u>958,477</u>	<u>1,931,477</u>
Total Revenue Bond requirements						\$ <u>2,720,533</u>

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 6 - LONG-TERM DEBT (continued)

General Long Term Debt Account Group. The government entered into installment purchase agreements to finance the purchase of a building and accrued sick pay. Installment purchase agreement requirements to maturity for the General Fund is as follows:

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
<i>Installment Purchase Agreement</i>						
11-22-02	\$ 200,000	6.000	12/22/04	\$ 9,143	\$ 11,110	\$ 20,253
		6.000	12/22/05	9,707	10,545	20,252
		6.000	12/22/06	10,306	9,947	20,253
		6.000	12/22/07	10,941	9,311	20,252
		6.000	12/22/08	11,616	8,637	20,253
		6.000	12/22/09	12,333	7,919	20,252
		6.000	12/22/10	13,094	7,159	20,253
		6.000	12/22/11	13,901	6,351	20,252
		6.000	12/22/12	14,759	5,494	20,253
		6.000	12/22/13	15,669	4,583	20,252
		6.000	12/22/14	16,635	3,618	20,253
		6.000	12/22/15	17,661	2,591	20,252
		6.000	12/22/16	18,751	1,502	20,253
		6.000	12/22/17	14,784	371	15,155
				<u>189,300</u>	<u>89,138</u>	<u>278,438</u>

Accrued sick pay 18,246

Total General Fund indebtedness \$ 207,546

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 6 - LONG-TERM DEBT (continued)

The remaining annual debt service requirements to amortize all debt outstanding as of February 29, 2004, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2005	\$ 146,143	\$ 59,375	\$ 205,518
2006	156,707	58,650	215,357
2007	168,306	57,907	226,213
2008	174,941	56,853	231,794
2009	110,616	53,084	163,700
2010 - 2014	270,756	231,673	502,429
2015 - 2019	168,831	183,199	352,030
2020 - 2024	126,000	149,715	275,715
2025 - 2029	156,000	118,123	274,125
2030 - 2034	195,000	78,682	273,682
2035 - 2039	249,000	29,408	278,408
2040	18,246	-	18,246
	<u>\$ 1,940,546</u>	<u>\$ 1,076,671</u>	<u>\$ 3,017,217</u>

NOTE 7 - BUDGETS

The Village follows the practice of adopting an annual budget for the General and Special Revenue Funds, at the fund level.

Prior to the beginning of the fiscal year, the budget is legally enacted as presented in the Combined Statements, through approval by the Village Council.

The Village Manager is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the Village Council. Presented budgets are as originally adopted or amended by the Village Council.

Appropriations lapse at yearend.

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Cassopolis because it is at present considered not necessary to assure effective budgetary control, or to facilitate effective cash planning and control.

Significant expenditure budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
Building and grounds	\$ 47,275	\$ 495,714	\$ 448,439
Fire department	88,413	114,088	25,675
SPECIAL REVENUE FUND			
Other general government	\$ 32,750	\$ 48,090	\$ 15,340

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT – PROPRIETARY FUNDS

A summary of proprietary fund property, plant and equipment follows:

	<u>Enterprise</u>			<u>Internal Service</u>		<u>Useful</u>
	<u>Water</u>	<u>Sewer</u>	<u>C.A.U.A.</u>	<u>Equipment</u>	<u>Total</u>	<u>Lives</u>
Land	\$ 63,597	\$ -	\$ -	\$ -	\$ 63,597	
Machinery & equipment	26,900	149,026	26,332	361,931	564,189	5-10 yrs
Water system and improvements	3,575,094	-	-	-	3,575,094	25-40 yrs
Sewer system and improvements	801,189	459,839	-	-	1,261,028	25-50 yrs
Interceptor system	1,824,235	-	-	-	1,824,235	50 yrs
Office equipment - computer system	13,389	10,388	2,937	1,292	28,006	5 yrs
Building	<u>10,078</u>	<u>88,225</u>	<u>-</u>	<u>-</u>	<u>98,303</u>	40 yrs
	6,314,482	707,478	29,269	363,223	7,414,452	
Less: accumulated depreciation	<u>2,261,840</u>	<u>255,081</u>	<u>13,039</u>	<u>268,017</u>	<u>2,797,977</u>	
	<u>\$ 4,052,642</u>	<u>\$ 452,397</u>	<u>\$ 16,230</u>	<u>\$ 95,206</u>	<u>\$ 4,616,475</u>	

Depreciation for the year ended February 29, 2004, for the respective funds is as follows:

Water	\$ 149,064
Sewer	25,879
C.A.U.A.	2,441
Equipment	<u>31,619</u>
	<u>\$ 209,003</u>

NOTE 9 - GENERAL FIXED ASSETS

A summary of general fixed assets follows:

	<u>March 1,</u>			<u>February 29,</u>
	<u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>2004</u>
Land and improvements	\$ 151,143	\$ 120,716	\$ -	\$ 271,859
Buildings	408,118	263,364	-	671,482
Machinery and equipment	297,774	24,892	-	322,666
Vehicles	444,966	37,257	-	482,223
Office furniture and equipment	58,978	32,876	-	91,854
Park construction	85,481	-	-	85,481
Industrial park development	<u>4,308</u>	<u>-</u>	<u>-</u>	<u>4,308</u>
Total investment in general fixed assets	<u>\$ 1,450,768</u>	<u>\$ 479,105</u>	<u>\$ -</u>	<u>\$ 1,929,873</u>

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at February 29, 2004, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 240,092	\$ 163,785
Special Revenue Funds		
Major Street	1,504	41,915
Local Street	24,133	16,965
Cemetery	34,237	2,162
Enterprise Funds		
Sewer	58,835	26,450
Water	41,238	110,118
CAUA	-	110,631
Internal Service Fund	<u>80,340</u>	<u>8,353</u>
	\$ <u>480,379</u>	\$ <u>480,379</u>

NOTE 11 - INTERNAL SERVICE FUND CHARGES

Charges made by the Village Internal Service Fund (Equipment Fund) to other Funds of the Village were as follows:

GENERAL FUND	
Other General Government	\$ 19,153
Parks	1,781
SPECIAL REVENUE FUNDS	
Major Street Fund	
Highways and streets	18,040
Local Street Fund	
Highways and streets	15,865
Cemetery Fund	
General Government	1,705
ENTERPRISE FUNDS	
Sewer Fund	6,985
Water Fund	11,779
CAUA Fund	<u>4,909</u>
	\$ <u>80,217</u>

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 12 - SEGMENT INFORMATION FOR THE ENTERPRISE FUNDS

The Water, Sewer, and C.A.U.A Fund is a single entity and provides the Village with water and sewer services. The Village maintains records within the enterprise fund to provide for segment information of the Sewer, Water, and C.A.U.A. operations as follows:

	<u>Sewer</u>	<u>Water</u>	<u>C.A.U.A.</u>	<u>Total</u>
Operating revenues	\$ 571,191	\$ 370,430	\$ 293,635	\$ 1,235,256
Depreciation expense	25,879	149,064	2,441	177,384
Net operating income (loss)	181,578	(15,353)	(34,489)	131,736
Net income (loss)	151,052	(52,362)	(34,489)	64,201
Net property, plant and equipment	452,398	4,052,642	16,230	4,521,270
Net property, plant and equipment additions	64,419	-	7,489	71,908
Net working capital	421,924	(5,983)	(138,952)	276,989
Bonds payable	495,000	1,238,000	-	1,733,000
Total equity	430,721	3,050,399	(122,722)	3,358,398
Contributed capital	-	1,299,610	-	1,299,610
Retained earnings	430,721	1,750,789	(122,722)	2,058,788

NOTE 13 - PROPERTY TAXES

Property taxes, both real and personal, are levied July 1 and collected by the Village Treasurer. Unpaid taxes become delinquent on October 1, and are collected by Cass County through the last day of February. Those real Village property taxes still uncollected at settlement time are purchased by the County's revolving tax fund. The total real levy of July 1, 2003, and collected personal levy has been recognized as revenue at February 29, 2004. The Village is responsible for collecting its own delinquent personal property taxes and is not recorded as accounts receivable due to the uncertainty of collectibility.

NOTE 14 - RESERVED FUND EQUITY

The four retained earnings reserves (totaling \$169,740) indicate that portion of the retained earnings which is legally restricted by the revenue bond indenture and ordinances.

NOTE 15 - ACCUMULATED DEFICIT RETAINED EARNINGS

The Village has an accumulated deficit retained earnings in the C.A.U.A. Enterprise Fund in the amount of \$122,722, which is expected to be eliminated through an evaluation of the fee structure.

Village of Cassopolis, Michigan
Notes to Financial Statements
February 29, 2004

NOTE 16 - RISK MANAGMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omission, employees' injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation, death and disability, hospitalization and life claims, and participates in the Michigan Municipal League risk pool for claims relating to liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 17 - EMPLOYEE RETIREMENT PLAN

The Village implemented a defined contribution salary deferral plan effective March 1, 2001, which covers all full time employees after 12 months of service. Under the plan, the Village contributes 3% of eligible compensation regardless of whether the employee opts to contribute to the plan. Employees become 100% vested for the Villages' contribution after three years of service and immediately for their own contributions. Plan expenses amounted to \$11,712 for the year ended February 29, 2004, and contributions are submitted to the plan monthly.

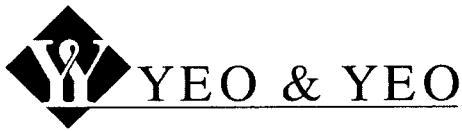
NOTE 18 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended February 29, 2004, are as follows:

Permit revenues	\$ 12,011
Permit expenditures	<u>(14,184)</u>
Deficiency of revenue over expenditures	<u>\$ (2,173)</u>

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>CAUA Fund</u>
Prior year accrued vacation	\$ (6,750)	\$ (8,827)	\$ (5,105)	\$ --
Prior accounts payable adjustment	--	--	-	7,488
Set up MSHDA activity - prior balance	<u>--</u>	<u>23,123</u>	<u>--</u>	<u>-</u>
Prior period adjustments 2-28-04	\$ <u>(6,750)</u>	\$ <u>14,296</u>	\$ <u>(5,105)</u>	\$ <u>7,488</u>



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***

To the Village Council
Village of Cassopolis
Cassopolis, Michigan

We have audited the general-purpose financial statements of the Village of Cassopolis, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated August 13, 2004, which is unqualified. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Cassopolis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Cassopolis in a separate letter dated August 13, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Cassopolis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Cassopolis in a separate letter dated August 13, 2004.

This report is intended solely for the information of the Village Council, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 13, 2004

Supplemental Financial Information



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
Fax (269) 329-0626

Independent Auditors' Report on Supplemental Financial Information

To the Honorable President and
Members of the Village Council
Village of Cassopolis, Michigan

Our report on our audit of the general purpose financial statements of the Village of Cassopolis for the year ended February 29, 2004, appears on page 1. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and selected individual fund financial statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. The statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statement and, in our opinion, are fairly stated in all respects in relation to the general purpose financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 9, 2004

Combining Financial Statements

Special Revenue Funds

Village of Cassopolis, Michigan
Special Revenue Funds
Combining Balance Sheet
February 29, 2004

Assets

	Major Street	Local Street	Community Development Block Grants
Current assets			
Cash on hand and deposit	\$ 46,123	\$ 27,149	\$ -
Cash equivalents	-	-	-
Cash - community funds	-	-	37,307
Due from other governmental units	19,167	6,490	-
Due from other funds	1,504	24,133	-
Accounts receivable	-	-	19,913
	<u> </u>	<u> </u>	<u> </u>
Total current assets	\$ <u>66,794</u>	\$ <u>57,772</u>	\$ <u>57,220</u>

Liabilities and Fund Equity

Liabilities			
Accounts payable	\$ 398	\$ 216	\$ -
Due to other funds	<u>41,915</u>	<u>16,966</u>	<u>-</u>
Total liabilities	<u>42,313</u>	<u>17,182</u>	<u>-</u>
Fund equity			
Fund balance	<u>24,481</u>	<u>40,590</u>	<u>57,220</u>
Total liabilities and fund equity	\$ <u>66,794</u>	\$ <u>57,772</u>	\$ <u>57,220</u>

Cemetery	Totals	
	2004	2003
\$ (38,057)	\$ 35,215	\$ 62,139
67,600	67,600	66,298
-	37,307	34,042
-	25,657	23,823
34,237	59,874	41,274
192	20,105	23,266
\$ <u>63,972</u>	\$ <u>245,758</u>	\$ <u>250,842</u>

\$ 305	\$ 919	\$ 4,028
<u>2,162</u>	<u>61,043</u>	<u>25,000</u>
<u>2,467</u>	<u>61,962</u>	<u>29,028</u>
<u>61,505</u>	<u>183,796</u>	<u>221,814</u>
\$ <u>63,972</u>	\$ <u>245,758</u>	\$ <u>250,842</u>

Village of Cassopolis, Michigan
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended February 29, 2004

	Major Street	Local Street	Community Development Block Grants
Revenues			
State revenues	\$ 100,786	\$ 34,042	\$ -
Charges for services	-	-	-
Interest	897	704	175
Total revenues	101,683	34,746	175
Expenditures			
General government	-	-	-
Highways and streets	98,649	52,875	-
Total expenditures	98,649	52,875	-
Excess (deficiency) of revenues over expenditures	3,034	(18,129)	175
Other financing sources (uses)			
Operating transfers in (out)	-	-	-
Excess (deficiency) of revenues over expenditures	3,034	(18,129)	175
Fund balances - beginning of year	21,447	58,719	57,045
Fund balances - end of year	\$ 24,481	\$ 40,590	\$ 57,220

Cemetery	Totals	
	2004	2003
\$ -	\$ 134,828	\$ 130,176
6,918	6,918	13,161
799	2,575	5,201
7,717	144,321	148,538
48,090	48,090	35,575
-	151,524	176,121
48,090	199,614	211,696
(40,373)	(55,293)	(63,158)
17,000	17,000	17,000
(23,373)	(38,293)	(46,158)
84,878	222,089	267,972
\$ 61,505	\$ 183,796	\$ 221,814

Enterprise Funds

Village of Cassopolis, Michigan
Enterprise Funds
Combining Balance Sheet
February 29, 2004 and 2003

	Sewer Fund	Water Fund	C.A.U.A. Fund	Totals	
				2004	2003
Assets					
Current assets					
Cash on hand and deposit	\$ 224,839	\$ -	\$ (26,682)	\$ 198,157	\$ 8,303
Cash equivalents	241,900	114,590	-	356,489	517,389
Accounts receivable	19,015	28,195	37,427	84,637	65,871
Interest receivable	1,245	261	-	1,506	3,948
Due from other funds	58,835	41,238	-	100,073	26,080
Inventory	-	10,546	-	10,546	10,913
Total current assets	<u>545,834</u>	<u>194,829</u>	<u>10,745</u>	<u>751,408</u>	<u>632,504</u>
Restricted assets					
Cash					
Junior lien sinking fund	-	14,540	-	14,540	14,540
Bond and interest redemption	-	127,500	-	127,500	127,500
Replacement	-	27,501	-	27,501	27,501
Improvements	-	200	-	200	200
Total restricted assets	<u>-</u>	<u>169,741</u>	<u>-</u>	<u>169,741</u>	<u>169,741</u>
Fixed assets					
Property and equipment	707,479	6,314,482	29,269	7,051,229	6,983,787
Less: accumulated depreciation	<u>255,081</u>	<u>2,261,840</u>	<u>13,039</u>	<u>2,529,960</u>	<u>2,357,041</u>
Total fixed assets	<u>452,398</u>	<u>4,052,642</u>	<u>16,230</u>	<u>4,521,269</u>	<u>4,626,746</u>
Total assets	<u>\$ 998,232</u>	<u>\$ 4,417,211</u>	<u>\$ 26,975</u>	<u>\$ 5,442,418</u>	<u>\$ 5,428,991</u>

	Sewer Fund	Water Fund	C.A.U.A. Fund	Totals 2004	2003
Liabilities and Fund Equity					
Current liabilities					
Accounts payable	\$ 32,105	\$ 4,677	\$ 39,067	\$ 75,848	\$ 39,844
Accrued expenses	356	-	-	356	265
Due to other funds	26,450	110,118	110,631	247,199	223,206
Security and trash deposits	-	14,017	-	14,017	13,859
Current portion of bonds payable	65,000	72,000	-	137,000	126,000
Total current liabilities	<u>123,911</u>	<u>200,812</u>	<u>149,697</u>	<u>474,420</u>	<u>403,174</u>
Long-term liabilities					
Deferred revenue	13,600	-	-	13,600	15,300
Bonds payable					
- series 1989A	495,000	-	-	495,000	555,000
- series 1989B	-	265,000	-	265,000	320,000
- series 1998	-	973,000	-	973,000	984,000
	<u>508,600</u>	<u>1,238,000</u>	<u>-</u>	<u>1,746,600</u>	<u>1,874,300</u>
Less: current portion	65,000	72,000	-	137,000	126,000
Total long-term liabilities	<u>443,600</u>	<u>1,166,000</u>	<u>-</u>	<u>1,609,600</u>	<u>1,748,300</u>
Total liabilities	<u>567,511</u>	<u>1,366,812</u>	<u>149,697</u>	<u>2,084,020</u>	<u>2,151,474</u>
Fund equity (deficit)					
Contributed capital	-	1,299,610	-	1,299,610	1,341,695
Retained earnings (deficit)					
Reserved bond and interest redemption	-	127,500	-	127,500	127,500
Reserved for replacements	-	27,501	-	27,501	27,501
Reserved for improvements	-	200	-	200	200
Reserved for junior lien sinking fund	-	14,540	-	14,540	14,540
Unreserved	430,721	1,581,048	(122,722)	1,889,047	3,107,777
Total fund equity	<u>430,721</u>	<u>3,050,399</u>	<u>(122,722)</u>	<u>3,358,398</u>	<u>3,277,518</u>
Total liabilities and fund equity	<u>\$ 998,232</u>	<u>\$ 4,417,211</u>	<u>\$ 26,975</u>	<u>\$ 5,442,418</u>	<u>\$ 5,428,991</u>

Village of Cassopolis, Michigan
Enterprise Funds
Combining Statement of Changes in Retained Earnings
and Contributions in Aid of Construction
February 29, 2004 and 2003

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>C.A.U.A. Fund</u>	<u>Totals 2004</u>	<u>2003</u>
Balance (deficit) - beginning of year	\$ 265,373	\$ 3,107,866	\$ (95,721)	\$ 3,277,518	\$ 3,325,812
Net income (loss)	151,052	(52,362)	(34,489)	64,201	54,848
Prior period adjustment	<u>14,296</u>	<u>(5,105)</u>	<u>7,488</u>	<u>16,679</u>	<u>-</u>
Balance (deficit) - end of year	\$ <u><u>430,721</u></u>	\$ <u><u>3,050,399</u></u>	\$ <u><u>(122,722)</u></u>	\$ <u><u>3,358,398</u></u>	\$ <u><u>3,380,660</u></u>

Village of Cassopolis, Michigan
Enterprise Funds
Combining Statement of Revenues and Expenses
Years Ended February 29, 2004 and 2003

	Sewer Fund	Water Fund
Operating revenues		
Charges for service	\$ 356,189	\$ 305,957
Penalties	4,622	5,371
Rental	1,700	-
Trash revenue	-	58,978
Authority revenues	-	-
DEQ grant	-	-
MSHDA grant	161,601	-
Miscellaneous	47,079	124
Total operating revenues	<u>571,191</u>	<u>370,430</u>
Operating expenses		
Wages	40,583	62,288
Payroll taxes and employee benefits	23,515	26,269
Supplies	13,316	26,078
Uniforms	439	440
Audit	27,451	7,668
Telephone	2,324	4,599
Insurance	2,141	2,951
Contracted services	-	-
Electricity and gas	9,601	17,746
Equipment maintenance	10,449	12,596
Equipment rental	6,985	11,779
Health and safety concerns	-	-
Depreciation	25,879	149,064
Legal expense	-	326
Miscellaneous	148,073	6,529
Sewer treatment	78,708	-
Taxes	-	-
Trash expense	-	57,451
Rental	-	-
Miss dig	-	-
Capital outlay	150	-
Total operating expenses	<u>389,613</u>	<u>385,783</u>
Operating income (loss)	<u>181,578</u>	<u>(15,353)</u>
Non-operating revenues (expenses)		
Sale of supplies	-	5,928
Interest income	11,907	6,458
Hydrant and building rental	-	19,000
Interest expense and fiscal charges	(42,433)	(68,395)
Loss on sale of equipment	-	-
Total non-operating revenues (expenses)	<u>(30,526)</u>	<u>(37,009)</u>
Net income (loss)	<u>\$ 151,052</u>	<u>\$ (52,362)</u>

C.A.U.A. Fund	Totals	
	2004	2003
\$ 270,540	\$ 932,687	\$ 745,643
-	9,993	9,816
-	1,700	7,754
-	58,978	62,950
23,095	23,095	49,952
-	-	3,392
-	161,601	-
-	47,202	25,603
<u>293,635</u>	<u>1,235,256</u>	<u>905,110</u>
55,010	157,881	151,413
23,817	73,601	77,151
18,022	57,416	35,274
439	1,318	2,628
3,709	38,827	6,750
7,108	14,031	12,601
3,890	8,983	7,996
-	-	13,145
24,330	51,676	41,619
77,758	100,803	43,518
4,909	23,672	23,724
-	-	366
2,441	177,384	180,950
-	326	7,029
6,138	160,741	10,799
98,419	177,128	139,534
-	-	1,602
-	57,451	62,303
-	-	2,179
1,883	1,883	1,221
250	400	2,800
<u>328,124</u>	<u>1,103,521</u>	<u>824,602</u>
<u>(34,489)</u>	<u>131,736</u>	<u>80,508</u>
-	5,928	3,794
-	18,365	48,558
-	19,000	26,650
-	(110,828)	(104,759)
-	-	97
<u>-</u>	<u>(67,535)</u>	<u>(25,660)</u>
\$ <u>(34,489)</u>	\$ <u>64,201</u>	\$ <u>54,848</u>

Village of Cassopolis, Michigan
Enterprise Funds
Combining Statement of Cash Flows
Years Ended February 29, 2004 and 2003

	Sewer Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 181,578	\$ (15,353)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	25,879	149,064
Increase (decrease) in:		
Rental security deposit	-	157
Accounts payable	18,693	(2,104)
Accrued expenses	92	-
Due to other funds	6,985	11,778
Deferred revenue	(1,700)	-
(Increase) decrease in:		
Accounts receivable	364	150
Interest receivable	1,791	654
Inventory	-	367
Prepaid asset	-	-
Due from other funds	(52,257)	(21,736)
Other non-operating revenues	-	24,928
Net cash provided by operating activities	<u>181,425</u>	<u>147,902</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(64,419)	-
Principal paid on revenue bonds	(60,000)	(66,000)
Interest paid on revenue bonds	(42,433)	(68,395)
Net cash used for capital and related financing activities	<u>(166,852)</u>	<u>(134,395)</u>
Cash flows from investing activities		
Interest on investments	<u>11,907</u>	<u>6,458</u>
Net increase (decrease) in cash	26,480	19,965
Prior period adjustment	14,296	(5,105)
Cash and cash equivalents, beginning of year	<u>425,963</u>	<u>269,471</u>
Cash and cash equivalents, end of year	<u>\$ 466,739</u>	<u>\$ 284,331</u>

C.A.U.A. Fund	Totals	
	2004	2003
\$ (34,489)	\$ 131,736	\$ 80,508
2,441	177,384	180,950
-	157	476
19,416	36,005	1,356
-	92	-
5,230	23,993	173,959
-	(1,700)	(1,700)
(19,278)	(18,764)	3,902
-	2,445	(18,375)
-	367	(885)
-	-	3,090
-	(73,993)	3,090
-	24,928	30,541
<u>(26,681)</u>	<u>302,650</u>	<u>456,912</u>
(7,489)	(71,908)	(21,677)
-	(126,000)	(100,000)
-	(110,828)	(104,759)
<u>(7,489)</u>	<u>(308,736)</u>	<u>(226,436)</u>
-	18,365	48,558
(34,170)	12,275	275,944
7,488	16,679	-
-	695,434	445,266
<u>\$ (26,682)</u>	<u>\$ 724,388</u>	<u>\$ 721,210</u>

**Selected Individual Fund
Financial Statements**

General Fund

Village of Cassopolis, Michigan
General Fund
Balance Sheet
February 29, 2004 and 2003

Assets		2004	2003
Current assets			
Cash and cash equivalents			
Cash on deposit	\$	-	\$ 90,484
Cash equivalents		103,374	101,361
Cash on hand		50	50
Receivables			
Taxes		174,971	59,867
Due from other governmental units		57,422	-
Other		1,761	86,381
Due from other funds		240,092	227,800
Interest		124	170
Total assets	\$	<u>577,793</u>	<u>\$ 566,113</u>
Liabilities and Fund Equity			
Current liabilities			
Bank overdraft	\$	43,852	\$ -
Accounts payable		160,692	24,518
Due to other funds		163,785	39,338
Total liabilities		<u>368,329</u>	<u>63,856</u>
Fund equity			
Fund balance			
Unreserved		<u>209,464</u>	<u>502,257</u>
Total liabilities and fund equity	\$	<u>577,793</u>	<u>\$ 566,113</u>

Village of Cassopolis, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenues				
Taxes	\$ 522,245	\$ 447,438	\$ (74,807)	\$ 452,348
Licenses and permits	10,550	13,024	2,474	62,525
State revenues	321,979	450,989	129,010	344,940
Charges for services	900	8,904	8,004	29,442
Fines and forfeits	5,100	12,787	7,687	12,520
Other	69,008	115,805	46,797	62,779
Total revenues	929,782	1,048,946	119,164	964,554
Expenditures				
Village council	106,070	77,511	28,559	80,015
Elections	1,000	1,714	(714)	2,289
Clerk	50,300	47,535	2,765	45,336
Village manager	103,769	93,694	10,075	91,822
Treasurer	7,092	6,817	275	5,283
Building and grounds	47,275	495,714	(448,439)	270,776
Other general government	59,682	57,102	2,580	60,253
Police department	332,339	340,786	(8,447)	334,534
School crossing guard	14,254	14,056	198	13,257
Fire department	88,413	114,088	(25,675)	69,498
Building inspection	14,020	14,184	(164)	66,464
Street lighting	27,000	23,422	3,578	22,331
Parks	24,813	18,211	6,602	63,089
Planning commission	3,685	1,205	2,480	1,428
Economic development	21,070	6,875	14,195	14,106
Debt service	-	5,074	(5,074)	5,093
Total expenditures	900,782	1,317,987	(417,205)	1,145,574
Excess (deficiency) of revenues over expenditures	29,000	(269,041)	(298,041)	(181,020)
Other financing sources (uses)				
Debt proceeds	-	-	-	222,361
Operating transfers out	(29,000)	(17,000)	12,000	(17,000)
Total other financing sources (uses)	(29,000)	(17,000)	12,000	205,361
Excess (deficiency) of revenues over expenditures and other financing uses	-	(286,041)	(286,041)	24,341
Fund balance - beginning of year	502,257	502,257	-	477,916
Prior Period adjustment	(6,750)	(6,750)	-	-
Fund balance - as restated	495,507	495,507	-	477,916
Fund balance - end of year	\$ 502,257	\$ 209,464	\$ (292,792)	\$ 502,257

Village of Cassopolis, Michigan
General Fund
Statement of Revenues - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Taxes				
Property	\$ 522,245	\$ 447,438	\$ 74,807	\$ 452,348
Total taxes	<u>522,245</u>	<u>447,438</u>	<u>74,807</u>	<u>452,348</u>
Licenses and permits				
Liquor license fees	1,400	1,013	387	983
Building permits	6,500	6,998	(498)	45,556
Other permits	2,650	5,013	(2,363)	15,986
Total licenses and permits	<u>10,550</u>	<u>13,024</u>	<u>(2,474)</u>	<u>62,525</u>
Intergovernmental				
State shared revenues	241,485	253,315	(11,830)	255,661
Federal grant	500	100,085	(99,585)	35,400
SWET reimbursement	43,808	35,415	8,393	29,159
Township fire protection	36,186	62,174	(25,988)	24,720
Total intergovernmental	<u>321,979</u>	<u>450,989</u>	<u>(129,010)</u>	<u>344,940</u>
Charges for services				
Franchise fees	-	7,739	(7,739)	7,919
Park fees	400	150	250	200
Rental inspection	100	70	30	-
Insurance refund	-	-	-	13,398
Zoning fees	200	325	(125)	7,644
Other fees	200	620	(420)	281
Total charges for services	<u>900</u>	<u>8,904</u>	<u>(8,004)</u>	<u>29,442</u>
Fines and forfeitures				
Parking fines - police	100	202	(102)	53
Ordinance fines - police	5,000	12,585	(7,585)	12,467
Total fines and forfeitures	<u>5,100</u>	<u>12,787</u>	<u>(7,687)</u>	<u>12,520</u>
Other				
Interest on investments	16,000	2,393	13,607	1,616
Building rental	53,008	66,173	(13,165)	9,882
Miscellaneous	-	47,239	(47,239)	51,281
Total other	<u>69,008</u>	<u>115,805</u>	<u>(46,797)</u>	<u>62,779</u>
Total revenues	<u>\$ 929,782</u>	<u>\$ 1,048,946</u>	<u>\$ (119,164)</u>	<u>\$ 964,554</u>

Village of Cassopolis, Michigan
General Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003 Actual</u>
General government				
Village council				
Fees	\$ 12,960	\$ 12,335	\$ 625	\$ 12,270
Benefits	2,192	6,172	(3,980)	2,214
Audit fees	3,650	7,667	(4,017)	7,607
Legal fees	22,000	18,836	3,164	14,051
Legal publications	1,000	680	320	976
Contracted service	16,000	9,184	6,816	11,883
Ambulance service and payment	6,000	-	6,000	-
Insurance	8,500	6,817	1,683	-
Miscellaneous	13,926	1,138	12,788	16,539
Conference and travel	5,000	1,603	3,397	1,130
Dues	2,500	74	2,426	1,404
Retirement	12,342	13,003	(661)	11,941
Total village council	<u>106,070</u>	<u>77,511</u>	<u>28,559</u>	<u>80,015</u>
Elections				
Fees	-	-	-	753
Supplies	500	348	152	589
Printing and publishing	500	1,365	(865)	947
Total elections	<u>1,000</u>	<u>1,714</u>	<u>(714)</u>	<u>2,289</u>
Clerk				
Salaries	21,411	21,707	(296)	22,085
Employee benefits	12,789	14,353	(1,564)	11,703
Office supplies	2,500	2,729	(229)	3,609
Printing and publishing	1,500	-	1,500	37
Telephone	1,550	2,346	(796)	2,146
Computer supplies	1,000	348	652	14
Copier lease	450	-	450	293
Miscellaneous	1,500	1,459	41	3,251
Equipment maintenance	1,500	-	1,500	1,059
New equipment	4,000	1,944	2,056	-
Conference and travel	2,100	2,649	(549)	1,139
Total clerk	<u>\$ 50,300</u>	<u>\$ 47,535</u>	<u>\$ 2,765</u>	<u>\$ 45,336</u>

Village of Cassopolis, Michigan
General Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance - Favorable (Unfavorable)	2003 Actual
General government (continued)				
Village manager				
Salaries	\$ 53,872	\$ 57,245	\$ (3,373)	\$ 57,767
Employee benefits	31,427	25,964	5,463	24,016
Dues	1,070	967	103	888
Office supplies	2,500	1,236	1,264	706
Telephone	3,000	3,467	(467)	2,517
Entertainment allowance	1,500	31	1,469	124
New equipment	1,500	168	1,332	-
Conference and travel	2,500	903	1,597	1,208
Miscellaneous	4,000	392	3,608	2,139
Automobile	2,400	3,323	(923)	2,457
Total village manager	<u>103,769</u>	<u>93,694</u>	<u>10,075</u>	<u>91,822</u>
Treasurer				
Salary	3,708	3,708	-	3,708
Employee benefits	284	284	0	284
New equipment	1,500	1,318	182	-
Supplies	1,600	1,507	93	1,291
Total treasurer	<u>7,092</u>	<u>6,817</u>	<u>275</u>	<u>5,283</u>
Building and grounds				
Custodial service	4,474	1,351	3,123	1,461
Electricity and heat	32,700	39,880	(7,180)	3,977
Insurance	1,100	881	219	-
Bank building project	-	417,280	(417,280)	263,301
Miscellaneous	4,001	906	3,095	307
Building maintenance	5,000	35,416	(30,416)	1,730
Total building and grounds	<u>47,275</u>	<u>495,714</u>	<u>(448,439)</u>	<u>270,776</u>
Other				
Wages	33,000	33,770	(770)	31,507
Employee benefits	3,182	2,714	468	2,185
Christmas lights	2,500	1,018	1,482	1,375
Equipment rental	16,000	19,153	(3,153)	21,925
Miscellaneous	-	-	-	1,000
Sidewalk maintenance	5,000	447	4,553	2,261
Total other	<u>59,682</u>	<u>57,102</u>	<u>2,580</u>	<u>60,253</u>
Total general government	<u>\$ 375,188</u>	<u>\$ 780,087</u>	<u>\$ (404,899)</u>	<u>\$ 555,774</u>

Village of Cassopolis, Michigan
General Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance - Favorable (Unfavorable)	2003 Actual
Public safety				
Police department				
Salaries	\$ 180,856	\$ 185,629	\$ (4,773)	\$ 173,342
SWET secretary wages	28,343	21,271	7,072	19,694
Employee benefits	56,490	70,287	(13,797)	61,306
Office supplies	550	1,097	(547)	226
Uniforms	3,300	1,223	2,077	2,400
Operating supplies	1,500	81	1,419	2,007
Legal fees	10,000	7,587	2,413	15,522
Contracted services	4,000	3,144	856	2,400
Telephone	3,000	3,647	(647)	4,058
Equipment maintenance	8,700	8,675	25	13,639
Insurance	18,700	14,961	3,739	-
Equipment rental	10,400	18,363	(7,963)	10,307
Grant contribution	-	-	-	200
Miscellaneous	2,500	1,972	528	3,432
Conference and travel	2,000	1,368	632	1,517
New equipment	1,500	691	809	23,796
Health and safety concerns	500	790	(290)	688
Total police department	332,339	340,786	(8,447)	334,534
School crossing guard				
Wages	12,646	12,315	332	11,994
Operating supplies	400	307	93	-
Employee benefits	1,208	1,435	(227)	1,263
Total school crossing guard	14,254	14,056	198	13,257
Fire department				
Fees	23,302	21,191	2,111	18,605
Benefits	5,527	5,081	446	4,537
Operating supplies	5,500	3,598	1,902	5,285
Legal fees	2,000	44	1,956	2,271
Telephone	1,600	1,862	(262)	1,740
Gasoline and oil	600	743	(143)	481
Maintenance of trucks	3,500	25,788	(22,288)	4,888
Insurance	7,184	5,761	1,423	-
Electricity and heat	2,500	3,995	(1,495)	3,019
Building maintenance	3,000	2,917	83	88
Equipment maintenance	3,500	1,429	2,071	693
Hydrant rental	19,000	19,000	-	19,000
Miscellaneous	100	1,122	(1,022)	1,474
Conference and travel	1,900	138	1,762	100
Health and safety concerns	700	-	700	359
Capital outlay	8,500	21,420	(12,920)	6,958
Total fire department	\$ 88,413	\$ 114,088	\$ (25,675)	\$ 69,498

Village of Cassopolis, Michigan
General Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance - Favorable (Unfavorable)	2003 Actual
Public safety (continued)				
Building inspection				
Fees	\$ 1,820	\$ 1,295	\$ 525	\$ 2,110
Wages	4,700	4,300	400	26,659
Building fund fees	7,000	8,588	(1,588)	37,613
Operating supplies	500	-	500	82
Total building inspection	14,020	14,184	(164)	66,464
Street lighting				
Electricity	27,000	23,422	3,578	22,331
Total street lighting				
Total public safety	476,026	506,536	(30,510)	506,084
Recreation and cultural				
Parks				
Wages	10,300	5,448	4,852	9,660
Employee benefits	863	1,463	(600)	883
Contracted services	3,200	2,984	216	3,505
Equipment rental	1,500	1,781	(281)	976
New equipment	-	-	-	39,497
Miscellaneous	450	1,160	(710)	178
Mowing expense	8,500	5,375	3,125	8,390
Total recreation and and cultural	24,813	18,211	6,602	63,089
Community and economic development				
Economic development				
Dues	70	-	70	50
Advertising and promotion	5,000	477	4,523	2,284
Contracted services	12,000	5,000	7,000	10,671
Printing	1,000	-	1,000	2
Miscellaneous	3,000	1,398	1,602	1,099
Total economic development	21,070	6,875	14,195	14,106
Planning commission				
Wages	2,400	640	1,760	1,275
Employee benefits	185	49	136	98
Supplies	100	62	38	-
Contracted services	1,000	454	546	55
Total planning commission	3,685	1,205	2,480	1,428
Total community and economic development	\$ 24,755	\$ 8,080	\$ 16,675	\$ 15,534

Village of Cassopolis, Michigan
General Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	Variance - Favorable (Unfavorable)	2003 Actual
Debt service				
Principal	\$ -	\$ 5,074	\$ (5,074)	\$ 2,049
Interest	-	-	-	3,044
Total debt service	-	5,074	(5,074)	5,093
Other financing uses				
Operating transfers out				
Economic development	12,000	-	12,000	-
Cemetery	17,000	17,000	-	29,000
Total other financing uses	29,000	17,000	12,000	29,000
Total expenditures	\$ 929,782	\$ 1,334,986	\$ (405,205)	\$ 1,174,574

Major Street Fund

Village of Cassopolis, Michigan
Major Street Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash on hand and deposit	\$ 46,123	\$ 28,373
Due from other governmental units	19,167	17,814
Due from other funds	<u>1,504</u>	<u>608</u>
Total assets	<u>\$ 66,794</u>	<u>\$ 46,795</u>

Liabilities and Fund Equity

Liabilities

Accounts payable	\$ 398	\$ 1,473
Due to other funds	<u>41,915</u>	<u>23,875</u>
Total liabilities	<u>42,313</u>	<u>25,348</u>

Fund equity

Fund balance	<u>24,481</u>	<u>21,447</u>
Total liabilities and fund equity	<u>\$ 66,794</u>	<u>\$ 46,795</u>

Village of Cassopolis, Michigan
Major Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Revenues				
Intergovernmental revenues				
State of Michigan				
Gas and weight tax	\$ 148,250	\$ 100,786	\$ (47,464)	\$ 98,118
Interest	<u>12,801</u>	<u>897</u>	<u>(11,904)</u>	<u>608</u>
Total revenues	<u>161,051</u>	<u>101,683</u>	<u>(59,368)</u>	<u>98,726</u>
Expenditures				
Highways and streets				
Construction	83,001	27,223	55,778	26,788
Routine maintenance	22,476	20,856	1,620	18,655
Winter maintenance	23,437	18,778	4,659	12,554
Traffic services	1,175	540	635	460
Roadside park	20,012	15,698	4,314	34,306
Administration	<u>10,950</u>	<u>15,553</u>	<u>(4,603)</u>	<u>13,109</u>
Total expenditures	<u>161,051</u>	<u>98,649</u>	<u>62,402</u>	<u>105,872</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>3,034</u>	<u>3,034</u>	<u>(7,146)</u>
Other financing uses				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,500)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>-</u>	<u>3,034</u>	<u>3,034</u>	<u>(29,646)</u>
Fund balance - beginning of year	<u>21,447</u>	<u>21,447</u>	<u>-</u>	<u>51,093</u>
Fund balance - end of year	\$ <u>21,447</u>	\$ <u>24,481</u>	\$ <u>3,034</u>	\$ <u>21,447</u>

Local Street Fund

Village of Cassopolis, Michigan
Local Street Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash and cash equivalents	\$ 27,149	\$ 31,558
Due from other governmental units	6,490	6,009
Due from other funds	<u>24,133</u>	<u>23,429</u>
Total assets	<u>\$ 57,772</u>	<u>\$ 60,996</u>

Liabilities and Fund Equity

Liabilities

Accounts payable	\$ 216	\$ 1,452
Due to other funds	<u>16,966</u>	<u>1,100</u>
Total liabilities	<u>17,182</u>	<u>2,552</u>

Fund equity

Fund balance	<u>40,590</u>	<u>58,444</u>
Total liabilities and fund equity	<u>\$ 57,772</u>	<u>\$ 60,996</u>

Village of Cassopolis, Michigan
Local Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Revenues				
Intergovernmental revenues				
State of Michigan				
gas and weight tax	\$ 35,000	\$ 34,042	\$ (958)	\$ 32,058
Interest	<u>-</u>	<u>704</u>	<u>704</u>	<u>929</u>
Total revenues	<u>35,000</u>	<u>34,746</u>	<u>(254)</u>	<u>32,987</u>
Expenditures				
Highways and streets				
Construction	-	-	-	28,284
Routine maintenance	20,540	19,711	829	16,463
Winter maintenance	18,540	17,855	685	13,164
Administration	<u>9,822</u>	<u>15,309</u>	<u>(5,487)</u>	<u>12,338</u>
Total expenditures	<u>48,902</u>	<u>52,875</u>	<u>(3,973)</u>	<u>70,249</u>
Deficiency of revenues over expenditures	<u>(13,902)</u>	<u>(18,129)</u>	<u>(4,227)</u>	<u>(37,262)</u>
Other financing sources				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Deficiency of revenues and other financing sources over expenditures	<u>(13,902)</u>	<u>(18,129)</u>	<u>(4,227)</u>	<u>(14,762)</u>
Fund balance - beginning of year	<u>58,719</u>	<u>58,719</u>	<u>-</u>	<u>73,481</u>
Fund balance - end of year	<u>\$ 44,817</u>	<u>\$ 40,590</u>	<u>\$ (4,227)</u>	<u>\$ 58,719</u>

Community Development Block Grant Fund

Village of Cassopolis, Michigan
Community Development Block Grant Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash - community funds	\$ 37,307	\$ 34,042
Accounts receivable	<u>19,913</u>	<u>23,003</u>
Total assets	<u>\$ 57,220</u>	<u>\$ 57,045</u>

Fund Equity

Fund equity		
Fund balance	\$ <u>57,220</u>	\$ <u>57,045</u>

Village of Cassopolis, Michigan
Community Development Block Grant Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Revenues				
Charges for services				
Loan repayments (net)	\$ -	\$ -	\$ -	\$ -
Interest	-	175	175	2,020
Total revenues	-	175	175	2,020
Excess (deficiency) of revenues over expenditures	-	175	175	2,020
Fund balance - beginning of year	57,045	57,045	-	55,025
Fund balance - end of year	\$ 57,045	\$ 57,220	\$ 175	\$ 57,045

Cemetery Fund

Village of Cassopolis, Michigan
Cemetery Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash on hand and deposit		
Cash on deposit	\$ (38,057)	\$ 2,208
Cash equivalents	67,600	66,298
Receivables		
Interest	192	263
Due from other funds	<u>34,237</u>	<u>17,237</u>
Total assets	<u>\$ 63,972</u>	<u>\$ 86,006</u>

Liabilities and Fund Equity

Liabilities		
Accounts payable	\$ 305	\$ 1,103
Due to other funds	<u>2,162</u>	<u>25</u>
Total liabilities	<u>2,467</u>	<u>1,128</u>
Fund equity		
Fund balance	<u>61,505</u>	<u>84,878</u>
Total liabilities and fund equity	<u>\$ 63,972</u>	<u>\$ 86,006</u>

Village of Cassopolis, Michigan
Cemetery Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Revenues				
Charges for services				
Grave preparations	\$ 6,000	\$ 4,443	\$ (1,558)	\$ 4,851
Sale of lots	5,000	2,475	(2,525)	8,310
Perpetual Care	1,000	-	(1,000)	-
Sale of supplies	200	-	(200)	-
Interest	3,550	799	(2,751)	1,644
Total revenues	<u>15,750</u>	<u>7,717</u>	<u>(8,033)</u>	<u>14,805</u>
Expenditures				
General government	<u>32,750</u>	<u>48,090</u>	<u>(15,340)</u>	<u>35,575</u>
Deficiency of revenues over expenditures	<u>(17,000)</u>	<u>(40,373)</u>	<u>(23,373)</u>	<u>(20,770)</u>
Other financing sources				
Operating transfers in	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	-	(23,373)	(23,373)	(3,770)
Fund balance - beginning of year	<u>84,878</u>	<u>84,878</u>	<u>-</u>	<u>88,648</u>
Fund balance - end of year	\$ <u>84,878</u>	\$ <u>61,505</u>	\$ <u>(23,373)</u>	\$ <u>84,878</u>

Village of Cassopolis, Michigan
Cemetery Fund
Statement of Expenditures - Budget and Actual
Years Ended February 29, 2004 and 2003

	<u>Budget</u>	<u>2004 Actual</u>	Variance - <u>Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Expenditures				
General government				
Salaries and wages				
Superintendent	\$ 2,835	\$ 2,833	\$ 2	\$ 2,571
Other	17,500	25,417	(7,917)	17,700
Social security	1,340	2,148	(808)	952
Worker's compensation insurance	375	880	(505)	707
Longevity pay	50	-	50	25
Operating supplies	2,500	3,193	(693)	3,048
Perpetual Care Work	500	-	500	-
Audit	1,000	7,621	(6,621)	1,520
Gasoline and oil	1,000	595	405	1,333
Insurance	175	142	33	-
Electricity	250	153	97	228
Equipment and fence maintenance	2,000	924	1,076	907
Equipment rental	1,000	1,705	(705)	2,481
Tree removal	1,200	1,200	-	-
Miscellaneous	500	1,031	(531)	2,786
Capital outlay	525	249	276	1,292
New DPW loan payment	-	-	-	25
Total expenditures	\$ <u>32,750</u>	\$ <u>48,090</u>	\$ <u>(15,340)</u>	\$ <u>35,575</u>

Sewer Fund

Village of Cassopolis, Michigan
Sewer Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash on hand and deposit	\$ 224,839	\$ 8,303
Cash equivalents	241,900	417,659
Accounts receivable	19,015	19,380
Interest receivable	1,245	3,036
Due from other funds	58,835	6,578
Total current assets	<u>545,834</u>	<u>454,956</u>
Fixed assets		
Property and equipment	707,479	643,060
Less: accumulated depreciation	<u>255,081</u>	<u>229,202</u>
Net property, plant and equipment	<u>452,398</u>	<u>413,858</u>
Total assets	<u>\$ 998,232</u>	<u>\$ 868,814</u>

Liabilities and Fund Equity

Current liabilities		
Accounts payable	\$ 32,105	\$ 13,411
Accrued expenses	356	265
Due to other funds	26,450	19,465
Current portion of bond payable	65,000	60,000
Total current liabilities	<u>123,911</u>	<u>93,141</u>
Long-term liabilities		
Bonds payable - series 1989A	495,000	555,000
Deferred revenue	13,600	15,300
	<u>508,600</u>	<u>570,300</u>
Less: current portion	65,000	60,000
Total long-term liabilities	<u>443,600</u>	<u>510,300</u>
Total liabilities	<u>567,511</u>	<u>603,441</u>
Fund equity		
Retained earnings	<u>430,721</u>	<u>265,373</u>
Total liabilities and fund equity	<u>\$ 998,232</u>	<u>\$ 868,814</u>

Village of Cassopolis, Michigan
Sewer Fund
Statement of Changes in Retained Earnings
February 29, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Balance - beginning of year	\$ 265,373	\$ 261,961
Net income	151,052	3,412
Prior period adjustment	<u>14,296</u>	<u>-</u>
Balance - end of year	\$ <u><u>430,721</u></u>	\$ <u><u>265,373</u></u>

Village of Cassopolis, Michigan
Sewer Fund
Statement of Revenues, Expenses - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	2003 Actual
Operating revenues			
Charges for services	\$ 299,000	\$ 356,189	\$ 266,595
Penalties	4,600	4,622	4,590
MSHDA grant	-	161,601	-
Miscellaneous	-	47,079	(1)
Rental	1,700	1,700	7,754
Total operating revenues	<u>305,300</u>	<u>571,191</u>	<u>278,938</u>
Operating expenses			
Wages	43,379	40,583	46,095
Payroll taxes and employee benefits	32,955	23,515	24,203
Supplies	8,400	13,316	13,198
Uniforms	800	439	207
Audit	2,500	27,451	2,939
Telephone	2,200	2,324	2,760
Insurance	1,850	2,141	-
Electricity and gas	12,300	9,601	8,965
Equipment maintenance	15,200	10,449	11,222
Equipment rental	6,000	6,985	7,250
Health and safety concerns	400	-	-
Depreciation	28,000	25,879	22,418
Miscellaneous	1,000	148,073	6,463
Sewer treatment	90,000	78,708	75,976
Rental	1,700	-	-
Capital outlay	19,000	150	19,777
Total operating expenses	<u>265,684</u>	<u>389,613</u>	<u>241,473</u>
Operating income	<u>39,616</u>	<u>181,578</u>	<u>37,465</u>
Non-operating revenues (expenses)			
Sale of supplies	500	-	2,679
Interest income	17,500	11,907	9,950
Interest expense and fiscal charges	(100,000)	(42,433)	(46,683)
Total non-operating expenses	<u>(82,000)</u>	<u>(30,526)</u>	<u>(34,054)</u>
Net income (loss)	<u>\$ (42,384)</u>	<u>\$ 151,052</u>	<u>\$ 3,411</u>

Village of Cassopolis, Michigan
Sewer Fund
Statement of Cash Flows
Years Ended February 29, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 181,578	\$ 37,466
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	25,879	22,418
Increase (decrease) in:		
Accounts payable	18,693	7,012
Accrued expenses	90	265
Due to other funds	6,985	19,465
Deferred revenue	(1,700)	(1,700)
(Increase) decrease in:		
Accounts receivable	365	3,169
Interest receivable	1,791	11,844
Prepaid asset	-	5,060
Due from other funds	(52,257)	(6,578)
Other non-operating revenues	-	2,679
Net cash provided by operating activities	<u>181,425</u>	<u>101,100</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(64,419)	(28,246)
Principal paid on revenue bonds	(60,000)	(55,000)
Interest paid on revenue bonds	(42,433)	(46,683)
Net cash used for capital and related financing activities	<u>(166,852)</u>	<u>(129,929)</u>
Cash flows from investing activities		
Interest on investments	<u>11,907</u>	<u>9,950</u>
Net increase (decrease) in cash	26,480	(18,879)
Prior period adjustment	14,296	-
Cash and cash equivalents, beginning of year	<u>425,963</u>	<u>444,842</u>
Cash and cash equivalents, end of year	\$ <u><u>466,739</u></u>	\$ <u><u>425,963</u></u>

Water Fund

Village of Cassopolis, Michigan

Water Fund

Balance Sheet

February 29, 2004 and 2003

Assets	2004	2003
Current assets		
Cash and cash equivalents	\$ 114,590	\$ 99,730
Accounts receivable	28,195	28,342
Interest receivable	261	912
Due from other funds	41,238	19,502
Inventory	10,546	10,913
Total current assets	<u>194,829</u>	<u>159,399</u>
Restricted assets - cash and cash equivalents		
Junior lien	14,540	14,540
Bond and interest redemption	127,500	127,500
Replacement	27,501	27,501
Improvements	200	200
Total restricted assets	<u>169,741</u>	<u>169,741</u>
Fixed assets		
Property and equipment	6,314,482	6,314,482
Less: accumulated depreciation	2,261,840	2,112,776
Net property, plant and equipment	<u>4,052,642</u>	<u>4,201,706</u>
Total assets	<u>\$ 4,417,211</u>	<u>\$ 4,530,846</u>
Liabilities and Fund Equity		
Current liabilities		
Accounts payable	\$ 4,677	\$ 6,781
Due to other funds	110,118	98,340
Security and trash deposits	14,016	13,859
Current portion of bonds payable	72,000	66,000
Total current liabilities	<u>200,812</u>	<u>184,980</u>
Long-term liabilities		
Bonds payable - series 1998	973,000	984,000
Bonds payable - series 1989B	265,000	320,000
	<u>1,238,000</u>	<u>1,304,000</u>
Less: current portion	72,000	66,000
Total long-term liabilities	<u>1,166,000</u>	<u>1,238,000</u>
Total liabilities	<u>1,366,812</u>	<u>1,422,980</u>
Fund equity		
Contributed capital	1,299,610	1,341,695
Retained earnings		
Reserved bond and interest redemption	127,500	127,500
Reserved for replacements	27,501	27,501
Reserved for improvements	200	200
Reserved for junior lien bond sinking fund	14,540	14,540
Unreserved	1,581,048	1,596,430
Total retained earnings	<u>1,750,789</u>	<u>1,766,171</u>
Total fund equity	<u>3,050,399</u>	<u>3,107,866</u>
Total liabilities and fund equity	<u>\$ 4,417,211</u>	<u>\$ 4,530,846</u>

Village of Cassopolis, Michigan

Water Fund

Statement of Changes in Retained Earnings and Contributions in Aid of Construction

February 29, 2004 and 2003

	Retained Earnings	Contributions In Aid of Construction Federal and Other	2004 Total	2003 Total
Balance - beginning of year	\$ 1,766,171	\$ 1,341,695	\$ 3,107,866	\$ 3,180,039
Net loss	(52,362)	-	(52,362)	(72,173)
Transfers				
Depreciation and fixed assets relating to contribution in aid of construction	42,085	(42,085)	-	-
Prior period adjustment	(5,105)	-	(5,105)	-
Balance - end of year	\$ <u>1,750,789</u>	\$ <u>1,299,610</u>	\$ <u>3,050,399</u>	\$ <u>3,107,866</u>

Village of Cassopolis, Michigan
Water Fund
Statement of Revenues, Expenses - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	2003 Actual
Operating revenues			
Charges for service	\$ 379,681	\$ 270,476	\$ 269,535
Vandalia charges for services	35,600	35,481	10,619
Penalties	7,000	5,371	4,799
Trash revenues	65,000	58,978	57,105
DEQ grant	300	-	-
Miscellaneous	775	124	5,473
Total operating revenues	<u>488,356</u>	<u>370,430</u>	<u>347,531</u>
Operating expenses			
Wages	60,389	62,288	56,894
Payroll taxes and employee benefits	34,695	26,269	27,308
Supplies	19,900	26,078	27,175
Uniforms	830	440	169
Audit	2,750	7,668	3,189
Telephone	5,200	4,599	4,105
Insurance	3,685	2,951	-
Contracted services	-	-	1,911
Electricity and gas	21,100	17,746	12,652
Equipment maintenance	8,600	12,596	8,489
Equipment rental	2,100	11,779	12,845
Depreciation	151,000	149,064	150,046
Legal expense	-	326	603
Miscellaneous	7,132	6,529	3,586
Taxes	1,700	-	-
Trash expense	65,000	57,451	57,270
Rental	-	-	2,179
Capital outlay	2,750	-	2,702
Total operating expenses	<u>386,831</u>	<u>385,783</u>	<u>371,123</u>
Operating income (loss)	<u>101,525</u>	<u>(15,353)</u>	<u>(23,592)</u>
Non-operating revenues (expenses)			
Sale of supplies	4,000	5,928	3,473
Interest income	15,650	6,458	1,712
Hydrant and building rental	26,125	19,000	19,000
Interest expense and fiscal charges	-	(68,395)	(72,766)
Total non-operating expenses	<u>45,775</u>	<u>(37,009)</u>	<u>(48,581)</u>
Net income (loss)	<u>\$ 147,300</u>	<u>\$ (52,362)</u>	<u>\$ (72,173)</u>

Village of Cassopolis, Michigan
Water Fund
Statement of Cash Flows
Years Ended February 29, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (15,353)	\$ (23,592)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	149,064	150,046
Increase (decrease) in:		
Rental security deposit	157	2,515
Accounts payable	(2,104)	(1,812)
Accrued payroll	-	-
Due to other funds	11,778	2,179
Deferred revenue	-	(5,230)
(Increase) decrease in:		
Accounts receivable	150	(4,207)
Interest receivable	654	6,954
Due from other funds	(21,736)	(19,502)
Inventory	367	(375)
Other non-operating revenues	24,928	22,473
Net cash provided by operating activities	<u>147,902</u>	<u>129,449</u>
Cash flows from capital and related financing activities		
Proceeds sale of equipment	-	-
Acquisition of capital assets	-	(4,292)
Principal paid on revenue bonds	(66,000)	(61,000)
Interest paid on revenue bonds	(68,395)	(72,766)
Net cash used for capital and related financing activities	<u>(134,395)</u>	<u>(138,058)</u>
Cash flows from investing activities		
Interest on investments	<u>6,458</u>	<u>1,712</u>
Net increase (decrease) in cash	19,965	(6,897)
Prior period adjustment	(5,105)	-
Cash and cash equivalents, beginning of year	<u>269,471</u>	<u>276,368</u>
Cash and cash equivalents, end of year	<u>\$ 284,331</u>	<u>\$ 269,471</u>

C.A.U.A. Fund

Village of Cassopolis, Michigan

C.A.U.A. Fund

Balance Sheet

February 29, 2004 and 2003

Assets

	2004	2003
Current assets		
Cash	\$ (26,682)	\$ -
Accounts receivable: CAUA	37,427	18,149
Total current assets	<u>10,745</u>	<u>18,149</u>
Fixed assets		
Property and equipment	29,269	26,245
Less: accumulated depreciation	13,039	15,063
Net property, plant and equipment	<u>16,230</u>	<u>11,182</u>
Total assets	\$ <u>26,975</u>	\$ <u>29,331</u>

Liabilities and Fund Equity

Current liabilities		
Accounts payable	\$ 39,067	\$ 19,651
Due to other funds	110,631	105,401
Total liabilities	<u>149,697</u>	<u>125,052</u>
Fund equity		
Retained earnings (deficit)	<u>(122,722)</u>	<u>(95,721)</u>
Total liabilities and fund equity	\$ <u>26,975</u>	\$ <u>29,331</u>

Village of Cassopolis, Michigan
C.A.U.A. Fund
Statement of Changes in Retained Earnings
February 29, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Balance (deficit) - beginning of year	\$ (95,721)	\$ (61,340)
Net loss	(34,489)	(34,381)
Prior period adjustment	<u>7,488</u>	<u>-</u>
Balance (deficit) - end of year	\$ <u><u>(122,722)</u></u>	\$ <u><u>(95,721)</u></u>

Village of Cassopolis, Michigan
C.A.U.A. Fund
Statement of Revenues, Expenses - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	2003 Actual
Operating revenues			
Charges for service	\$ 299,460	\$ 270,540	\$ 214,115
Authority revenues	-	23,095	27,541
Total operating revenues	<u>299,460</u>	<u>293,635</u>	<u>241,656</u>
Operating expenses			
Wages	51,976	55,010	52,743
Payroll taxes and employee insurance	34,384	23,817	24,631
Supplies	11,700	18,022	15,988
Uniforms	800	439	170
Audit	2,200	3,709	2,384
Telephone	7,000	7,108	5,522
Insurance	4,850	3,890	-
Electricity and gas	26,300	24,330	22,380
Equipment maintenance	34,700	77,758	23,133
Equipment rental	4,450	4,909	4,885
Depreciation	1,700	2,441	1,882
Miscellaneous	3,900	6,138	7,135
Sewer treatment	103,000	98,419	113,464
Capital outlay	500	250	100
Bioxide treatment	10,000	-	-
Miss dig	2,000	1,883	1,620
Total operating expenses	<u>299,460</u>	<u>328,124</u>	<u>276,037</u>
Operating loss	<u>-</u>	<u>(34,489)</u>	<u>(34,381)</u>
Net loss	\$ <u>-</u>	\$ <u>(34,489)</u>	\$ <u>(34,381)</u>

Village of Cassopolis, Michigan
C.A.U.A. Fund
Statement of Cash Flows
Years Ended February 29, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating loss	\$ (34,489)	\$ (34,381)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	2,441	1,882
Increase (decrease) in:		
Accounts payable	19,416	10,957
Due to other funds	5,230	27,603
(Increase) decrease in:		
Accounts receivable	(19,278)	(2,309)
Prepaid asset	-	5,681
Net cash provided by operating activities	<u>(26,681)</u>	<u>9,433</u>
Cash flows from capital and related financing activities:		
Disposal of capital assets	<u>(7,489)</u>	<u>(9,433)</u>
Net decrease in cash	(34,170)	-
Prior period adjustment	7,488	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ (26,682)</u>	<u>\$ -</u>

Equipment Fund

Village of Cassopolis, Michigan
Equipment Fund
Balance Sheet
February 29, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current assets		
Cash and cash equivalents	\$ 45,551	\$ 121,439
Interest receivable	313	429
Due from other funds	80,340	123
Inventory	<u>2,800</u>	<u>2,800</u>
Total current assets	<u>129,004</u>	<u>124,791</u>
Property, plant and equipment		
Equipment	363,223	339,231
Less: accumulated depreciation	<u>268,017</u>	<u>260,300</u>
Net property, plant and equipment	<u>95,206</u>	<u>78,931</u>
Total assets	<u>\$ 224,210</u>	<u>\$ 203,722</u>

Liabilities and Fund Equity

Current liabilities

Accounts payable	\$ 43,588	\$ 5,316
Due to other funds	<u>8,353</u>	<u>7,734</u>
Total liabilities	<u>51,941</u>	<u>13,050</u>

Fund equity

Contributed capital		
Federal revenue sharing fund	34,230	34,230
Retained earnings	<u>138,039</u>	<u>156,442</u>
Total fund equity	<u>172,269</u>	<u>190,672</u>
Total liabilities and fund equity	<u>\$ 224,210</u>	<u>\$ 203,722</u>

Village of Cassopolis, Michigan
Equipment Fund
Statement of Revenues, Expenses and Changes in
Retained Earnings - Budget and Actual
Years Ended February 29, 2004 and 2003

	Budget	2004 Actual	2003 Actual
Operating revenues			
Charges for services	\$ 75,200	\$ 80,217	\$ 79,453
Total operating revenues	<u>75,200</u>	<u>80,217</u>	<u>79,453</u>
Operating expenses			
Wages	4,945	4,827	7,545
Payroll taxes and employee insurance	503	820	893
Supplies	7,000	7,592	7,995
Professional service	1,500	7,667	1,888
Gasoline and oil	14,000	12,221	11,384
Insurance	6,000	6,177	-
Electricity and heat	4,500	2,525	3,385
Building maintenance	5,000	2,318	1,663
Equipment maintenance	23,000	24,311	6,746
Depreciation	28,000	31,619	26,861
Rental	500	-	1,375
Miscellaneous	1,000	(66)	1,847
Capital outlay	5,000	-	1,638
Total operating expenses	<u>100,948</u>	<u>100,009</u>	<u>73,220</u>
Operating income (loss)	<u>(25,748)</u>	<u>(19,792)</u>	<u>6,233</u>
Non-operating revenues			
Interest on investments	5,800	1,389	2,417
Total non-operating revenues	<u>5,800</u>	<u>1,389</u>	<u>2,417</u>
Net income (loss)	(19,948)	(18,403)	8,650
Retained earnings - beginning of year	<u>156,442</u>	<u>156,442</u>	<u>147,792</u>
Retained earnings - end of year	\$ <u><u>136,494</u></u>	\$ <u><u>138,039</u></u>	\$ <u><u>156,442</u></u>

Village of Cassopolis, Michigan
Equipment Fund
Statement of Cash Flows
Years Ended February 29, 2004 and 2003

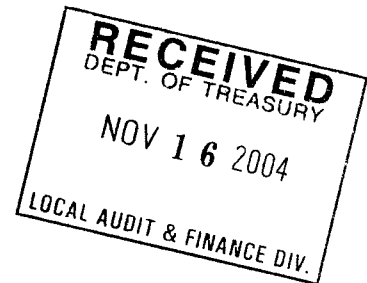
	<u>2004</u>	<u>2003</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (19,792)	\$ 6,233
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	31,619	26,861
(Increase) decrease in:		
Interest receivable	116	1,437
Due from other funds	(80,217)	(123)
Increase (decrease) in:		
Due to other funds	619	1,375
Accounts payable	38,273	2,928
Net cash provided by operating activities	<u>(29,382)</u>	<u>38,711</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(47,894)</u>	<u>(24,095)</u>
Cash flows from investing activities:		
Interest on investments	1,389	2,417
Net cash provided from investing activities	<u>1,389</u>	<u>2,417</u>
Net increase (decrease) in cash	(75,887)	17,033
Cash and cash equivalents - beginning of year	<u>121,438</u>	<u>104,405</u>
Cash and cash equivalents - end of year	<u>\$ 45,551</u>	<u>\$ 121,438</u>



August 13, 2004

Honorable President and
Members of the Village Council
Cassopolis, Michigan

Council Members:



In planning and performing our audit of the financial statements of the Village of Cassopolis for the year ended February 29, 2004, we considered the Village's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

CURRENT YEAR CONDITIONS:

Compare Budget to Actual Results

The Village prepares the annual budget, but it appears they are not regularly reviewed and compared to actual results. We believe that the actual results of operations should be compared to the budgeted amounts monthly, and any large discrepancies should be investigated and explained so that any necessary corrective action can be considered by the Village manager before this information is given to the Council for review. This would allow the Village manager to make recommendations to the Council regarding this information. These analyses should be included in the monthly reports to the Council to help them understand the financial results and their implications, and to help the Council make informed decisions.

Deficit Retained Earnings

The C.A.U.A. Fund experienced a loss for the third consecutive year, causing an increasing deficit retained earnings. Currently there are no time records kept by DPW employees that reflect actual time spent on specific jobs. To ensure that time spent on Sewer, Water and C.A.U.A. activities is charged appropriately, we suggest that the Village use a work order system, or manually chart the time spent on a daily basis in a log book. We believe that a work order system would benefit the DPW as a whole.

Receipts and Bank Deposits

Receipts received by mail and in person for water and sewer billings are sometimes received by and recorded in the utility billing program by the same person who prepares the bank deposit slips for these receipts. We recommend that these duties always be segregated.

Duties of Officers

During inquiry and observation of the officers, it was noted that there is a lack of understanding of the officers duties. We recommend that each officer, including the Treasurer and Clerk, review the General Law Village Act "Duties of Officers" to clarify the duties of each officer of the Village, to improve the efficiency and effectiveness of each officer and their potential contribution to the Village's operations.

Deposits into Junior Lien Cash Account

It was noted that the required quarterly deposits of \$1,500 per quarter were not made into the Junior Lien cash account during the current fiscal year. These deposits need to be made each quarter in the future.

Equipment Fund Management

The Equipment Fund of the Village is not a required fund, by State guidelines. Unneeded funds may cause unneeded recordkeeping and tie up cash that may be needed for other purposes. As a management tool, it may be more efficient for the Village to use this residual equity for General Fund purposes, and may consider recording an equity transfer to the General Fund, for purposes that the Council deems needed. The equipment and rental charges may be reported in, and charged by, the General Fund. The only State mandated rental charges for equipment are to the Major and Local Street Funds, and rental rates may be reduced or eliminated to all other funds.

PRIOR YEAR CONDITIONS AND CURRENT STATUS:

Required Items for Employee Files

All employees are required to have an I-9 kept on file. Currently there is no required paperwork on elected employees. Elected employees are still considered "employees" and still receive W-2s; therefore it is required to have I-9s and W-4s for them on file.

As approval for wages and wage increases is also required to be on file, it would be a good idea to keep a separate file with the newspaper clippings advertising the wage rates and a copy of the approval in the board minutes in with the employee files.

Status:

This procedure has not yet been implemented.

Implementation of GASB 34

The full implementation of GASB 34 is required for the February 28, 2005 financial statements. A gradual implementation of individual requirements of GASB 34 is highly recommended. It will be an extremely comprehensive and time-consuming process for the village management and auditors. A major time-consuming requirement to be performed by the Village Manager and Clerk is the Management Discussion and Analysis Letter (MD&A). We would be pleased to offer consultation and assistance in implementation of GASB 34 requirements.

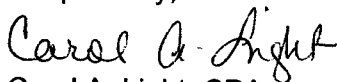
Status:

The Village Manager and Clerk have attained general knowledge of GASB 34 requirements. We suggest that a GASB 34 compliant fixed asset capitalization policy be adopted with the fiscal year 2005 budget. We have provided a sample policy to the Village Manager.

This report is intended solely for the use of the Village of Cassopolis, Michigan.

Our firm appreciates the opportunity to serve the Village of Cassopolis, and would like to thank the Village Clerk and staff for their cooperation and assistance.

Respectfully,



Carol A. Light, CPA
Yeo & Yeo, P.C.